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The Case for Strategic Planning in Practice Groups



Alan R. Olson

By Alan R. Olson

Many law firms wrestle with questions about the structure, function and effectiveness of their practice groups. Unfortunately, there are no “magic wand” solutions to problems. These challenges are part of the ongoing dynamics of today’s law firm and client markets.

The better we understand the market forces at work, however, the better we can analyze, plan and find solutions to improve practice management structures and performance. Progress in practice management *is* being made, but often the advances in law firm practice groups go virtually unnoticed because the volume and breadth of additional responsibilities placed at the practice group level keep pace with the advances.¹

Because of the increasing pressures and responsibilities on practice groups and their managers, it is absolutely critical for practice groups to address their expanded role by adding one more major responsibility: formal planning at the practice group level.

Expansion of Practice Management

In the last two decades, there have been both an expansion and a greater delineation of practice management functions. Standard practice management functions now include:

- Client and matter acceptance
- Case administration
- Work distribution – getting the right work in the right hands

- Effective delegation of work
- Supervision of other lawyers, paralegals, secretaries and staff in the practice
- Recruitment, orientation and training of lawyers and paralegals
- Quality management
- Use and development of specialization

The preceding list, however, does not fully cover the scope or the intensity of emerging practice group roles and involvement. Practice groups have also assumed central roles in two additional major areas – strategic planning and marketing, both of which are critical to the survival and success of law firms.

The Case for Strategic Planning at the Practice Group Level

Strategic planning has become one of the three most important functions that should be undertaken at the practice group level, along with practice management and marketing. Strategic planning is key because of its potential as the ultimate adaptive mechanism

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for organizations in dynamic environments.

There are five major factors driving the increased importance of practice groups and influencing the scope of practice group performance. These include:

- Increased specialization
- Faster turnaround expectations
- Tighter margins
- Law firm growth
- Segmentation of the legal market

Each of these drivers places increasing pressure on individual lawyers, management, and management structures – which also increases the need for planning on both strategic and operational levels. Strategic planning can help a law firm practice group, as well as the firm as a whole, determine which combination of practice areas, specialties and sub-specialties it should be actively offering, today and in the future.

Increased Specialization

Increased specialization intensifies the need for training, makes that training more complex, and may reduce the number of trainers available. It also tends to shift training from the firm level to the practice level. Operational planning and management is useful in the short term to coordinate training.

Over longer time periods, specialization requires the firm and its practice groups to develop strategic plans to better anticipate and address demands for specialized services, as well as the peaks and valleys of specialized workloads. For example, can the firm afford to retain a securities specialist in a down economy? Can the firm fail to have the expertise available when it might well mean losing a client?

Faster Turnaround Times

“Leaner” client organizations, heightened client expectations and a

highly competitive marketplace combine to fuel the need for faster turnaround from lawyers and law firms. Advances in communications technology have enabled the demand. As a result, lawyers are busier, face a greater frequency of interruptions and have less time for reflection.

“The continued growth in size of many US law firms requires that greater planning and management be undertaken at the practice group level ...”

Generally, the most experienced lawyers also tend to be the busiest, which puts a strain on the amount of time they can devote to management. It also increases the difficulty of keeping individual associates busy, and of retaining overall leverage.

These pressures result in less time for daily and weekly planning. This creates an increasing need for operational planning – periodically taking a step back and making sure that the practice group is working effectively, and seeking solutions if it is not. The less time there is for specific day-to-day practice management decisions, the greater the need for planned structural solutions – best described as having the right lawyers in close proximity to the right other lawyers.

Operational planning also can assist delegation. If a firm is experiencing difficulty in delegating to associates individually or collectively, operational planning is critical, as is strategic planning, to gauge and possibly alter a practice group’s strategic

mix of specialties. Such planning can also augment a group’s opportunities through joint strategic and marketing planning with other practice groups.

Tighter Profit Margins

Increasing price competition and downward pressure on legal fees have resulted in tighter profit margins. Margins have tightened in progressively more practice areas and therefore in more law firms. In addition to management goals of practice efficiency, tighter margins further compel the strategic planners’ periodic review of whether the practice group, in the context of the firm, has the right practice mix for today and tomorrow. Similarly, tighter margins suggest periodic operational planning regarding whether the group has the right staffing today, and strategic planning toward having the right staffing in the group for tomorrow.

Law Firm Growth

The continued growth in size of many US law firms requires that greater planning and management be undertaken at the practice group level, simply because the number and specificity of decisions are increasingly beyond the reach of centralized management, no matter how skilled and dedicated. This does not reduce the importance of, and may not even reduce the time devoted by, centralized management to practice management issues.

Central management needs to make sure that practice groups are planning, managing and marketing effectively. Central management needs to make sure that groups are communicating and coordinating with each other. Despite increased emphasis on practice group planning and control, central management needs to ensure there is still one firm operating culturally and as a team, rather than a number of emerging independent “city-states,” or firms within the firm.

Many of the preceding factors driving an expanded view of practice group functions are challenges that can present both threats and opportunities. For example, failure to find ways to delegate effectively represents a threat in the face of tightening turn-around times and profit margins, but can represent an opportunity in the form of improved profit margins, long-term client satisfaction and the strategic position of a practice group.

Market Segmentation

Market segmentation represents an unquestionable opportunity for practice groups and law firms. In addition to becoming progressively more specialized, the legal market has also become more segmented, especially in the last 30 years. Increasing segmentation refers to the increasing differences between practice areas and specialties as economic or business units.

Compare a typical debtor bankruptcy practice with a creditor bankruptcy practice. A typical (consumer) debtor bankruptcy practice is priced differently (generally fixed fee) than the creditor practice (generally hourly). The debtor practice is marketed on a broad basis, such as by newspaper advertising, while the creditor practice is marketed one-on-one with financial institutions, by hosting seminars, and the like. To be profitable, the debtor practice relies on high volume and heavy leverage, using clerks and even software to move multiple matters simultaneously. The creditor practice, while it may be leveraged, is much more lawyer-intensive and likely to involve a balance of lawyers.

The two practices are like separate businesses, even though they arguably occupy the same specialty area. So too are commercial real estate practices, insurance automobile litigation, oil and gas litigation, patent prosecution, class action defense, class action plaintiffs' work, and white-collar criminal defense. They are marketed differently,

priced differently, staffed differently – and require differing management approaches and priorities to succeed.

There are highly significant opportunities available to law firms that understand and embrace the segmented legal market – that are able to identify, analyze, strategically plan and manage these different businesses successfully under one roof. Major risks can be reduced; rewards can be increased.

While centralized strategic planning is still absolutely critical, the market has become sufficiently segmented that practice-level planning has achieved as great a level of importance. The overall strategic plan needs to address the overall firm practice, geographic scope, practice mix, profitability and so on. At the same time, the practice group plan must address its practice mix, its specialties of today and tomorrow, its geographic theatre of operations, current and future profitability targets, etc.

A Word about Marketing

Marketing at both the firm level and the individual level continue to be equally important. Examples abound. At the firm level, key areas include strategic branding, advertising, allocation of resources, lawyer training, central marketing management and administration. At the individual level there is planning and targeting, development of speaking skills and opportunities, writing and publishing professionally, and developing the skills and discipline to follow through on marketing opportunities.

An increasing portion of the strategic as well as the tactical action in marketing is at the practice and specialty level. In the segmented legal market, different types of clients are likely to have individualized and segment-related needs, and to be accessible differently, under varying timetables and through a widely varying combination of channels.

Depending on the firm size, range

of specialties and clients, strategic marketing might be effectively accomplished centrally, as with a firm marketing committee. But it is increasingly likely that practice area perspectives, and personnel representing practice areas, will need to be factored into the process in order to provide practice level market assessments, strategies and implementation processes. Otherwise, a firm might find that its marketing is too general, generic, or abstract to achieve bottom line results.

Shifting a small or large portion of a law firm's marketing to its practice group structure can be relatively easy. Or it can be a complex transformation, depending on the firm, its practice, client base, structure, and especially, its people.

Start with Clarity of Purpose

Practice group design and management is often impaired because of a lack of clarity regarding its functions and responsibilities. Some practice group functions are envisioned too narrowly, for example, as a vehicle to train associates. A group's success may be limited because it lacks sufficient control over closely related functions, such as work distribution or trouble-shooting of quality control issues. Defining the practice group role too narrowly will also result in the group underachieving by missing other important potential roles. More frequently, practice groups are asked to assume too broad a variety of roles, responsibilities and ad hoc tasks, to a point where their effectiveness and capacity to meet expectations are compromised.

The critical first step is to pause and understand what practice groups are being asked to take on, formally or informally. The second step is to understand the trends and pressures present in the dynamic, external legal market that your firm's practice groups will inevitably have to address.

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Strategic planning is unparalleled in its potential to help law firms and practice groups adapt to dynamic external environments, and to many internal challenges. Planning will help your practice group analyze its strengths and weaknesses, its external threats and opportunities, establish priorities, and move forward. Establishing priorities among the broad range of potential functions will help in setting realistic goals and in aligning peoples' expectations. In turn, practice group plans will be com-

municated to firm management and to other practice groups, which should result in additional opportunities.

Take a moment to envision the other course. Journeying into the expanding realm of practice group structure and management without strategic planning is like facing three major league pitchers throwing simultaneously, and you without a bat, or without a helmet or, most importantly, without a team in the dugout. ♦

¹ Note that in this discussion, sections and departments are being used interchangeably with practice groups, even though mid-sized and large firms usually employ them in combination.

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